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RUEPADJ/CJTF HOA
RUEAIIA/CIA WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEKDIA/DIA WASHINGTON DC
RUEWMFD/HQ USAFRICOM STUTTGART GE
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEHLMC/MILLENNIUM CHALLENGE CORP
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UNCLAS SECTION 01 OF 02 ADDIS ABABA 000083

SENSITIVE
SIPDIS

DEPARTMENT FOR EEB/IFD/OMA - BSAUNDERS AND JWINKLER AND
EEB/CBA - DWINSTEAD
USAID FOR AFR/EA HELLYER AND DALTON
DEPT PASS TO USTR FOR PATRICK COLEMAN, CECILIA KLEIN, AND
BARBARA
GRYNIEWWICZ
DEPT OF COMMERCE WASHDC FOR ITA MARIA RIVERO
DEPT OF TREASURY WASHDC FOR REBECCA KLEIN

E.O. 12958: N/A
TAGS: [E](#)[A](#)[I](#)[D](#) [E](#)[C](#)[O](#)[N](#) [E](#)[F](#)[I](#)[N](#) [P](#)[R](#)[E](#)[L](#) [E](#)[T](#)
SUBJECT: ETHIOPIA: FY10 PROHIBITION ON ASSISTANCE AND
BUDGET TRANSPARENCY

REF: A. STATE 1923
[1](#)B. 09 ADDIS ABABA 2497
[1](#)C. 09 ADDIS ABABA 2556

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[1](#)1. (U) This cable is a Ref A response cable regarding
questions
on Ethiopia's fiscal transparency and USG FY2010 assistance.

[1](#)2. (SBU) Ethiopia's central government is slated to received
USG assistance through the Department of State, Foreign
Operations,
and Related Programs Appropriations Act in fiscal year 2010;
however, the majority of USG assistance is not channeled
through
the central government. Directed USG assistance to the
central
government includes USAID funded technical assistance to the
Ministry of Trade and Industry to support Ethiopia's
accession
to the World Trade Organization (WTO), ongoing capacity
building
programs aimed at improving the operations of Parliament and
the
National Election Board, and a Supreme Court program that is
working to bolster judicial independence. In addition,
International
Military Education and Training (IMET) and Foreign Military
Financing
(FMF) funds will provide U.S. military course instructors for
the
Ethiopian Defense Command and Staff College and enable the
Ethiopian
military to maintain its vital role in counter terrorism and
international peacekeeping operations.

[1](#)3. (SBU) Ethiopia's budget information is regularly published
and
disseminated at the direction of the government. The budget

and its income/expenditure details are available in the public government gazette (Federal Negarit Gazeta) and on the Ministry of Finance and Economic Development's website (www.mofed.gov.et/index.php?option=com_content&view=article&id=25&Itemid=33). Ethiopia does not, however, have specific laws or regulations governing the public disclosure of revenues and expenditures in national budgets. There are no independent auditors of government budget data, so information is taken at face value. International economists generally focus their criticism on the number of extra-budgetary items that are omitted from the national budget. Notably, the national budget does not include the over 100 state-owned enterprises (SoEs) or the over 70 "endowment" companies owned by the ruling political party. The omitted SoEs include large entities such as Ethiopian Airlines, Ethiopian Telecommunications Corporation (ETC), Ethiopian Shipping Lines (ESL), and Ethiopian Electric Power Corporation (EEPCo).

¶4. (SBU) In the past year, there have not been any events that affected Ethiopia's budget transparency and the Government of Ethiopia (GoE) has not made any steps towards improving its fiscal transparency.

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In response to post's October 2009 demarche, State Minister of Finance and Economic Development Mekonnen Manyazewal maintained that he does not have access to the SoEs' books either, but has full confidence in the boards of directors who operate those enterprises (Ref B). He argued that the USG should reconsider if full transparency is the best policy in all business contexts. Ministry of Foreign Affairs Acting Director General for Europe and Americas echoed the GoE concern about revealing sensitive proprietary information of certain SoEs. In October 2009, the International Monetary Fund (IMF) confirmed to post that despite IMF pressure the Ethiopian Government refuses to budge on opening up the books of the SoEs and its requests often invoke strong negative reactions from GoE officials (Ref C). The IMF unwillingly relies on GoE data because there are no other reliable figures and is concerned about Ethiopia's increasing public debt.

¶5. (SBU) In mid-2009, post outlined a strategy to promote improved budget transparency. This strategy included two parts: (1) apply diplomatic pressure on GoE officials underscoring the budget transparency requirements mandated by Congress and how it ties into eligibility to receive USG assistance; (2) leverage U.S. votes on IMF and World Bank projects/programs to obtain access to the financial records of SoEs. Regarding

part one of
the strategy, post has continually delivered the message to
GoE officials
regarding Ethiopia's need to comply with USG fiscal
transparency guidelines;
however, this message has fallen on deaf ears and only seems
to aggravate
relations. In terms of part two of the strategy, post is not
aware of
any relevant IMF or World Bank projects/programs that the
U.S. could have
leveraged its vote on in the second half of 2009. Looking
forward to 2010,
post would recommend focusing USG efforts on part two of the
strategy,
since part one has not produced the desired results and the
GoE believes
donors will not pull out of a highly-impooverished country
such as Ethiopia.
YATES